

Solar Titan USA
Questions & Answers
July 25, 2022

- **Sales & Marketing**
 - Please provide breakdown of sales by end-customer type (single family homes vs multi-family vs commercial). Please explain rationale of any concentration.
Solar Titan is focused on selling residential systems generally in a 4,000 kW to 10,000 kW range with installations on both single family and multi-family homes (to date the vast majority have been single family). Regarding commercial jobs, the Company has been approached by small businesses, churches, hotels, etc. with moderate sized commercial prospects (and has completed several lite commercial jobs ranging from 20kW to 50kW), but has largely deferred any entry into this market in order to remain focused for the time being on the opportunity in the residential market.
 - What are the Company's key sourcing channels by business type (i.e., GC, roofing contractor, financing source, etc.) or direct?
The Company sources approximately 75% of its leads directly using social media and Google Ads, and last year invested in an inhouse advertising team tasked with generating an increasing percentage of total leads needed to achieve its growth plans. The balance of Solar Titan's leads is comprised of referrals from customers, with occasional referrals received from utilities and vendors (referral fees are paid at \$100 per kW and are included in the marketing budget).
 - What's contributed to accelerated growth?
The Company began operations in October 2019, and at the macro level its rapid growth is primarily due to high consumer demand in service areas that are almost totally unpenetrated (TN, KY, Northern GA, AL).

Solar Titan successfully sells its PV systems in both non-net metering markets (Tennessee, Georgia and Alabama) and net metering markets (Kentucky, with plans to enter Florida in August 2022). In non-net metering states, virtually all PV systems are sold with battery storage, which is the key driver of the economic proposition for the Company's customers.
 - Solar Titan's success in its target markets has been assisted by recent advances in battery storage and other technology improvements, as well as developing a system from lead to installation that provides some of the fastest turnaround times in the industry. The Company's in-house advertising, call center, sales training & development, permitting, solar design, and installation capabilities enable it to maximize efficiency in each area. This efficiency has resulted in faster payments, profit, cash flow, and rapid organic growth for the Company. Solar Titan's future target markets (northern FL, MS, LA, TX) have the same characteristics as its current markets.

From an execution standpoint, the Company's success has been driven by investment in operational and logistical infrastructure (the Salesforce.com logistics platform), its newly

leased 60,000 sq. ft. headquarters and warehouse, and its successful hiring, training, and managing of its expanding W-2 employee base (the Company does NOT rely on contractors or third parties). This strategy has translated into a consistent sales engine and a tight installation operation that efficiently drives customer contract bookings, which convert to installations quickly, resulting in rapid growth in recognized revenue, profitability, and positive cash flow.

For sales breakdown by State and Product see the Financial Model.

- How reliant is the market on the solar investment tax credits (ITC)?
Solar Titan's business model is NOT reliant on the ITC. The Company discloses that customers may qualify for the ITC but uses a sales model that focuses on benefits excluding the ITC so that a consistent sales approach can be used for ALL homeowners, not just the ones who can qualify for this tax credit (i.e., a sales approach consistent with the ROI described in the Q&A below),

In general, the US Solar Investment Tax Credit (ITC) offers a 26% tax credit for residential or commercial properties that install, develop, or finance a project – so the ITC represents a significant economic upside to customers who do qualify. The ITCs were originally set to begin phasing down in 2023 and to end in 2024 but were extended under Biden's new energy plan. Qualifying taxpayers who installed and began using a solar PV system can claim a federal tax credit that covers 26% of the following costs:

- Cost of solar panels
- All additional solar equipment, such as inverters, wiring and mounting hardware
- Labor costs for solar panel installation, including fees related to permitting and inspections
- Energy storage devices, including solar batteries
- Any sales taxes paid for eligible solar installation expenses (most states waive sales taxes)

- Do the panels pay for themselves / have ROI over some period of time? How long does it take?

As noted below, the Company only installs Tier 1 Solar Modules that have a 25 year+ performance guarantee from the manufacturer, a lifespan which positions the purchase with increasing value over time (e.g., flat financing payment as energy rates increase over time - see CIP, slide 31). The timing for solar systems to pay for themselves will depend on system size, utility costs (i.e., electricity usage, rate increases), net metering (if any), weather trends in specific geographies, and payment for / financing of the system. As mentioned above, the direct consumer ROI for investing in solar is generated by a savings compared to the customer's electric bill (currently and in the future considering continuing rate increases), driven by their newly "owned" flat electricity cost of the PV system (including battery storage). The average estimate in the US in 2021 was that panels would pay for themselves in 9-12 years:

<https://www.solarreviews.com/blog/how-to-calculate-your-solar-payback-period>

Prospective customers understand they are using some of the money they are now paying to the utility to pay for their solar ownership, that these savings will occur over time, and that the PV system has monitoring capabilities to evaluate their usage should

they have any questions after the system is installed. Customers typically offset their current electrical usage by 50-75%.

Customers do not view “going solar” as a discretionary purchase. They view it as converting the rental of their electricity to owning their power at a fixed monthly payment (similar to renting a house vs buying a home with a mortgage loan). Management expects customers’ demand to hold up well – and strengthen - in a recession since an environment of continued quickly rising electricity costs makes the economic proposition for solar even stronger than before.

Energy reliability and participating in the clean energy movement are important factors with prospective customers. Many people want energy stability in an uncertain world (e.g., they see the benefit of solar power vs. a generator that would still run on fossil fuel), or they put a premium on being part of the clean energy solution for the future.

Solar Titan’s Energy Consultants (sales reps) are trained to not focus on a specific savings number vs. the cost of a current electric bill, rather to sell need for an alternative energy source and the benefits over time of “Owning Your Power” – particularly the benefits of ownership at a fixed monthly cost in an expected rising cost environment for traditional energy.

This sales approach highlights the differentiated training our Energy Consultants receive in Solar Titan University and the post-training field support the Energy Consultants receive from Solar Titan’s sales organization in all markets.

Solar Titan has nearly 3 years of systems installation experience and has trained its customer service staff which fields any questions about a customer’s specific PV system usage post-installation vs. traditional electricity usage. Most times, evaluating systems usage with the system’s monitoring capabilities satisfactorily answers customers questions, and at times results in an upgrade to a larger system and/or increased battery storage. These sales upgrades are handled by the Company’s inside sales team (recent monthly sales from upgrades were between \$200K).

- **Operations**

- What is the Company’ reliance on subcontractors?
Solar Titan does NOT operate its business with substantial contracting in any functional area. Periodically, roofing might be contracted should a customer need substantial work performed as part of or prior to an install.
- Please describe how the Company has navigated recent national staffing shortages.
What steps has the Company taken to retain key employees?
The Company has three full-time recruiters to market and hire for its available positions. In its service areas, Solar Titan has generally experienced an adequate labor supply for its key functional areas. The Company’s production-oriented compensation structures have been viewed as attractive and competitive in the marketplace. On the administrative side, last year we experienced some challenges in securing experienced

finance personnel but have recently been successful with most needed positions.

- What is the turnover for sales reps and other personnel?

In 2021, Solar Titan's overall turnover for sales reps and call center staff was about 20% (well within our expected ranges). The Company has very little voluntary turnover in operations and logistics (e.g., installers, design & engineering, permitting, warehouse). Our ability to retain our personnel is primarily due to the deep training they receive, which translates into effective job performance and an engaging culture, alongside an attractive production-oriented compensation structure. The personnel who tend to turnover are those who are not production-minded.

- What kind of servicing is required post-installation? Warranties? Return / malfunction? Life cycle of panels and batteries?

The typical lifespan of residential solar panels is 25 years. Tier 1 panel manufacturers typically include a 25-year performance guarantee with their sales (this guarantees states that the panels through the 25-year mark will produce at least 80% of the power as they did when new). The practical lifespan of the panels is likely closer to 30-40 years. Solar Titan's customers experience very little system malfunction. The Company includes a 12-month installation warranty on system sales. After that, the manufacturer's warranty applies. Solar Titan installs any new parts provided under warranty and charges the customer for a service visit.

The typical lifespan of residential inverters and batteries is 10 to 12 years. Solar component manufacturers typically include a 10-year performance guarantee with their sales.

The vast majority of Solar Titan's revenue today is from system sales, along with solid volumes upgrades to PV (system size) and battery storage. The Company expects this mix to change in the next 12 – 24 months as it introduces new products including maintenance contracts, panel cleaning services, service & usage monitoring (monthly fee), solar powered Electric Vehicle charging stations, solar canopies, and a Solar-focused Home Energy program.

Additionally, the Company establishes ongoing customer relationships with its customer referral program and system expansion / upgrade opportunities (e.g., system size increases and additional battery storage). For example, management expects 70% of its 9kW battery system sales to be upgraded to 15kW or 18kW systems within in a short cycle time of 12 to 24 months of installation.

Solar Titan has already seen about 5% of monthly installation volume in customer request upgrades within the first year or two of system ownership. Customers typically wish to upgrade to a larger system (as mentioned above) and/or increase battery storage. These sales upgrades are managed by the Company's inside sales team (recent volume has been about 10 upgrades per month at \$20,000 each). Customers' cost of upgrades can be wrapped into their existing solar loans.

Management estimates that upgrade and follow-on service revenue can easily account for 3% of sales initially and grow quickly over time well into the double digits.

- Procurement:

- Who are the Company's major suppliers?

The Company's primary supplier is CED Greentech, one of the largest U.S. distributors, and this relationship is detailed further in the CIP. Solar Titan regularly evaluates its supply strategy with CED Greentech and its direct supply relationships, is not averse to switching suppliers, and can easily transition to alternative suppliers for either price, performance or availability.

That said, the Company purchases directly from many suppliers and has very strong SPAs with these parties.

Solar Titan sources its solar panels from numerous manufacturers including Q Cells (GA assembly), Jinko Eagle (FL assembly), and Mission Solar Energy (TX assembly). Generac is the Company's main supplier of batteries, storage ready inverters, and generators due to the quality of its product line and certainty of supply availability, and SolarEdge is now one of its inverter suppliers for the same reasons.

With respect to Financing Partners, at this time the Company is directing 85% of its projects to Mosaic and Dividend Finance (at a 0% dealer fee), with the balance split between Sunlight and Concert Finance.

See the Financial Model for details on inventory and materials spend.

- Discuss the Company's strategy of sourcing American panels. Have there been any supply chain issues?

Solar Titan has pursued a strategy of sourcing its solar panels and other components from American-based manufacturers, and exclusively uses Tier 1 Commercial Grade solar panels in its system installations. The Company's manufacturers source their components from American or non-Chinese sources. Solar Titan regularly evaluates its suppliers of panels, components, batteries, and other materials with CED Greentech (main distributor), putting a priority on quality and availability. Unit prices for American assembled products have been competitive and have decreased as the Company has grown. Solar Titan makes bulk inventory purchases, targeting about a two- to three-month supply on hand, and has encountered no supply chain issues. American sourcing also provides a marketing opportunity to potential customers. That said, materials options and pricing are evaluated regularly, and the Company is open to purchasing international product if it fits with its requirements.

Thanks to proactive management of its bulk inventory purchases, Solar Titan has not run into any supply chain issues. The Company continually and proactively manages its supply needs with its primary distributor, CED Greentech, and with additional direct supplier relationships which has provided Solar Titan with

insight on potential issues before they become problems.

- Who are Solar Titan's main competitors? How does the Company differentiate itself?

Solar Titan is a clear leader in its service areas. Most of its competitors are smaller, local competitors. None of the largest players are currently present in Solar Titan's markets. Pink Energy sells systems in Tennessee, Kentucky and Georgia, but to date Solar Titan has not experienced any noticeable loss of prospects to Pink Energy or other competitors. Solar Titan does many things differently from its competitors. Its key differentiator is its end-to end, full-service business model (e.g., in-house management of advertising, marketing, appointment setting, sales, solar system design / engineering, installation, permitting, and customer service). Solar Titan is one of a few solar installation companies in the US which have this business model today. Also, the Company employs all W2 employees which is not the case for many competitors. These differentiated characteristics enable Solar Titan's faster installation timelines and attractive profit margins and cashflow.

- **Financial**

- Growth projections (organic vs inorganic)

See the Sales Build tab in the Financial Model – organic growth in existing markets (TN, KY, GA, and AL) and new markets (FL in August 2022). The financial model assumes no other market expansion or acquisitions.

- Visibility on future sales, sales backlog

Solar Titan's visibility on and consistency of sales is driven by its track record for growing new contracted sales month over month and sales conversion performance. The Company's effective lead generation and sales conversions can be seen in the "Sat Appointment to Sale" statistics in the chart below, which show an average conversion rate of approximately 20% (conservatively projected in the Financial Model at 15%). As detailed in the Financial Projection Model, in the first half of 2022 this translated to Solar Titan selling on average approximately 180 contracts per month (average monthly sales of \$7 million) versus approximately 120 and \$5 million per month in the last half of 2021.

Solar Titan's backlog consists of system contracts sold but not yet installed. As detailed in the Sales Build tab of the Financial Projection Model, in the first half of 2022 Solar Titan averaged approximately 174 jobs per month in backlog (average monthly sales of \$7 million) versus approximately 100 and \$4 million per month in the last half of 2021.

Given that the Company completes installations in 4 to 6 weeks from sale contract approval, backlog duration at any given time is between 1 and 2 months.

- Are the Revenue predictions based on booked orders?
Booked orders are detailed historically and on a projected basis in the financial model (they are called “Bookings”), and Solar Titan’s revenue recognition policy is conservative, with GAAP revenue being recognized 85% upon the installation of the sales order and 15% upon electric interconnectivity.
- Does the initial 30% from the financing partner given to the supplier cover all material costs?
Yes, historically this funding has more than covered total current materials costs, while also leaving room for bulk and advanced ordering. This funding amount was recently lowered to 20% due to reduced materials costs in Solar Titan’s updated SPA’s with its manufacturers.

- **Growth**

- Why did Solar Titan start its business in the selected targeted markets?
Given Founders’ experience in consumer-facing services businesses, the opportunity to build a large, full service solar installation, design and services company was attractive given the high demand and low penetration in the Tennessee and Kentucky service areas.

See a summary of Solar Titan’s current service areas on P9 and P45-46 of the CIP. Primary service areas in Tennessee are Knoxville, Chattanooga, and Nashville; in Kentucky are Lexington and Louisville; and in Alabama are Huntsville and Birmingham (with a 90-mile radius surrounding each city). Growth plans are driven by continued organic growth in existing (TN, KY, GA and AL) and new contiguous states (FL) which are still very unpenetrated. While other solar installers sell in the Company’s markets, none of the large players are present and Solar Titan has not experienced any noticeable loss of prospects to competitors.

- Solar Titan Accomplishments
See a summary of Solar Titan’s key events on P7 of the CIP. The Company’s ability to hire and train good people is a key success factor. Strong relationships are in place with suppliers and solar financing partners, and unit economics in these commercial relationships have improved substantially as Solar Titan has grown. Also, the Company’s

customization of its Salesforce CRM and ERP / workflow system is an important logistics and management tool.

Solar Titan has made investments needed to continue to successfully grow the business which have resulted in sales records being exceeded regularly – examples include:

- The financial investment made in the Company's Salesforce CRM and ERP / workflow system (noted above)
- The commitment to staffing all personnel as W-2 employees
- The internal management of personnel and processes from sales/marketing and lead generation to systems design and installation
- The recent commitment to relocating to Solar Titan's new Knoxville headquarters

○ Growth Plans and Timing
The Company's future strategic growth plans for new markets and new products / services are outlined on P46 to P48 of the CIP. As noted on P9 and P46 of the CIP, Solar Titan plans to enter Florida in August 2022, and this expansion is all that has been assumed in the financial projection model.

After establishing a solid presence in Florida and Alabama, Solar Titan plans to further expand geographically westward to Mississippi, Louisiana and Texas. Additionally, numerous opportunities are planned for product / service extension which will generate re-occurring and recurring future revenue from the Company's existing customer base.

○ Please discuss sales of additional products, including upgrades, service contracts and product extensions.

As noted above, Solar Titan currently sells upgrades to PV (system size) and battery storage. In the next 12 to 24 months, the Company plans to sell new products which will generate re-occurring and recurring revenue, including maintenance contracts, panel cleaning services, service & usage monitoring (monthly fee), solar powered Electric Vehicle charging stations, , solar canopies, and a Solar-focused Home Energy program. Further details of these programs are summarized on P44 and P47 of the CIP.

○ Is Solar Titan currently pursuing an M&A strategy?
No, Solar Titan's focus has been on the stand alone business plan thus far. The Company is open to potential future M&A opportunities and is looking for this strategic expertise in a financial partner.

○ How has ST executed entering new markets? Benefits and considerations doing so organically vs through M&A?
The Company's future strategic growth plans for new markets and new products / services are outlined on P44 to P47 of the CIP. As noted on P9 and P46 of the CIP, Solar Titan plans to enter Florida in June 2022, and this expansion is all that has been assumed in the financial projection model.

Solar Titan has an excellent track record for organic geographic growth. The Company expanded from its initial Tennessee and Kentucky markets to Georgia in July 2021 and to Alabama in March 2022. Solar Titan's northern Florida market launch is planned for August 2022. The Company's geographic expansion strategy has been well executed, with booked sales achieving projections in each case.

After establishing a solid presence in Alabama and Florida, Solar Titan plans to further expand westward to Mississippi, Louisiana and Texas. Additionally, numerous opportunities are planned for product / service extension which will generate re-occurring and recurring future revenue from the Company's existing customer base. Solar Titan currently sells upgrades to PV (system size) and battery storage. In the next 12 to 24 months, the Company plans to sell new products which will generate re-occurring and recurring revenue, including maintenance contracts, panel cleaning services, service & usage monitoring (monthly fee), solar powered Electric Vehicle charging stations, solar canopies, and a Solar-focused Home Energy program. Further details of these programs are summarized on P44 and P47 of the CIP.

- What internal functions would ST like to invest into? (i.e., marketing, additional labor, tools, etc.)
The Company plans to continue to invest in refining and expanding its sales and marketing capabilities and programs. Additional investment is planned in all key human resource functional areas including sales / marketing, appointment setters, design & engineering, installation, permitting, and finance & accounting, including the hiring of a full-time CFO. Investments in new warehouses and regional offices will occur alongside expansion into new geographic markets.

- **Deal Background, Rationale and Structure**

- How did the Founders come together?
The Founders had known each other for years, prepared a business plan and launched the Company in the second half of 2019. The Executive Team backgrounds are on p6 of the CIP with organization chart on P10.

- Does Solar Titan Need Growth Capital to Support (or Accelerate) its Growth Strategy?
To date, Solar Titan has made the necessary financial investments to grow the Company and has had available free cash for shareholder distributions. Our financial projections suggest Solar Titan will have adequate free cash flow post-transaction for the investments needed to achieve the growth plan outlined above. That said, the Company is interested in adding some growth capital to its balance sheet for further acceleration of its business opportunities.

- Please further discuss Solar Titan's transaction rationale and objectives, including valuation approach.

Given the rapid growth being experienced (now over 300 employees, growing revenues 2.5x to \$100mm in 2022 and \$170mm in 2023) and having a 90% shareholder who is not involved in the business day-to-day, the Founders realize the need to grow and further professionalize the organization and are looking for a financial partner who has succeeded in backing entrepreneurs through similar growth inflection points. The

Company's transaction objective are (i) to complete a sale or a majority stake purchase of ownership which provides a financial return to Solar Titan's 90% shareholder, (ii) implement an equity incentive plan for management and employees, and (iii) position the Company for substantial growth and value creation in the next 3 – 5 years.

Valuation approach should focus on placing a competitive valuation multiple on LTM 2022 EBITDA at closing of approximately \$20 million.

- Who is selling equity in the transaction?

As noted above, the equity is being sold predominantly by the 90% shareholder who is not involved in the business day-to-day is looking to (i) realize a financial return on his initial funding of the business plan and (ii) to position the Company for successful, professional scalability with a financial partner who has a track record of leading entrepreneurs through similar growth inflection points. Solar Titan's CEO currently owns 10% of the Company's equity.